

Message Text

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C O N F I D E N T I A L MOSCOW 18984

E. O. 11652: GDS

TAGS: ECON, UR

SUBJ: ECONOMIC PROBLEM AREAS DISCUSSED AT CPSU CENTRAL
COMMITTEE PLENUM

1. WHILE CONTENTS OF BREZHNEV SPEECH AND OTHER DISCUSSION AT
LAST WEEK'S CPSU CENTRAL COMMITTEE PLENUM SESSION REMAIN
UNPUBLICIZED, PRAVDA REPORT OF DEC 23 PLENUM OF MOSCOW PARTY
COMMITTEE SHEDS CONSIDERABLE LIGHT ON MAIN THEMES TOUCHED ON
BY BREZHNEV IN EARLIER MEETING. REPORTING TO MOSCOW PARTY
PLENUM, PARTKOM FIRST SECRETARY GRISHIN NOTED THAT PARTICULAR
PROBLEMS IN CITY'S ECONOMY ARE "ANALOGOUS" TO THOSE RAISED
AT CENTRAL COMMITTEE PLENUM.

2. CHIEF PROBLEM AREAS ENNUMERATED BY GRISHIN (AND PRESUMABLY
THEREFORE ALSO BY BREZHNEV) INCLUDE:

A. PLAN UNDERFULFILLMENT IN PRODUCTION OUTPUT. IN MOSCOW,
PRODUCTION OF CARS AND TRUCKS, MACHINE TOOLS, AND KNITWARE
GOODS WAS BELOW PLAN LEVELS FOR YEAR.

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B. PRODUCTION EFFICIENCY. LABOR PRODUCTIVITY REMAINS

BELOW PLANNED LEVELS. WORSE, GROWTH IN FIXED CAPITAL OUT-STRIPPED GROWTH IN OUTPUT AT MANY OF CITY'S FACTORIES. MANY FACTORY MANAGERS STILL TRY TO INCREASE PRODUCTION BY RAISING NUMBER OF WORKERS RATHER THAN BY APPLYING METHODS OF INTENSIFICATION TO BETTER UTILIZE ALREADY EXISTING RESERVES.

C. RECONSTRUCTION OF EXISTING ENTERPRISES. SHARP RISE IN PROPORTION OF MODERNIZATION OF EXISTING PLANT TO NEW STARTS IN CAPITAL INVESTMENT RATION HAS ACQUIRED "PARAMOUNT" IMPORTANCE, GRISHIN REPORTED.

D. QUALITY. IMPORTANT RESERVE IN BATTLE FOR GREATER ECONOMIC GROWTH, STATES GRISHIN, IS THE "RAISING OF TECHNICAL LEVEL AND QUALITY OF GOODS."

E. CAPITAL INVESTMENTS. GRISHIN NOTES NEED BOTH FOR GREATER EFFICIENCY IN APPLICATION OF INVESTMENT CAPITAL AND IN IMPROVING QUALITY OF CONSTRUCTION. ACCORDING TO PRAVDA REPORTAGE, MOSCOW CITY PLENUM DEMANDED THAT "EVERY RUBLE OF CAPITAL INVESTMENTS BE UTILIZED RATIONALLY" AND IN PARTICULAR CALLED FOR SPEEDING UP COMPLETION OF PROJECTS ALREADY UNDERWAY.

3. FRG EMBASSY REPORTS THAT AMBASSADOR SAHM, IN RECENT DISCUSSION WITH IMEMO CHIEF INOZEMTSEV, WAS TOLD THAT CENTRAL COMMITTEE PLENUM HELD "HEATED" DISCUSSIONS REVOLVING AROUND THREE MAIN PROBLEM AREAS OF ECONOMY: ENERGY, CONSUMER GOODS, AND AGRICULTURAL PRODUCTION (PARTICULARLY SUGAR).

4. COMMENT: ALL OF ABOVE IS ENTIRELY CONSISTENT WITH POSITIONS TAKEN BY BREZHNEV AT ONE TIME OR ANOTHER DURING HIS RECENT PUBLIC SPEECHES. HE APPEARS TO BE MOST CONCERNED ABOUT INCREASING EVIDENCE THAT INEFFICIENT USE OF INVESTMENTS IS AMONG CENTRAL PROBLEMS STALLING RATIONAL, EFFICIENT, PLANNED ECONOMIC GROWTH. FURTHER EMBASSY BELIEVES THAT SOVIET ENERGY SITUATION--BROUGHT OUT THROUGH COMBINATION OF INEFFICIENCY AND WASTE IN FUELS PRODUCTION PLUS CIRCUMSTANCE THAT MOST INDUSTRY IS CONCENTRATED IN EUROPEAN USSR (INCREASINGLY FAR FROM MAIN ENERGY SOURCES)-- HAS BECOME SERIOUS AND ACUTE PROBLEM AREA FOR LEADERSHIP.

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